

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
Docket No. 2000-366-A

In Re: Application of Chem-Nuclear Systems,)	SETTLEMENT
LLC, a Subsidiary of Duratek, Inc. for)	AGREEMENT
Adjustment in the Levels of Allowable)	
Costs and for Identification of Allowable)	(FOR FISCAL YEAR 2011-2012)
<u>Costs.</u>)	

This Settlement Agreement is made by and between Chem-Nuclear Systems, LLC, a subsidiary of Duratek, Inc. (“Chem-Nuclear” or “Company”), the South Carolina Office of Regulatory Staff (“ORS”), and certain Intervenors in this matter (collectively referred to as the “Parties”) with respect to the Application and Amended Application of Chem-Nuclear Systems, LLC, for Fiscal Year 2011-2012 (“Amended Application”) pending before the Public Service Commission of South Carolina (“Commission”) in Docket No. 2000-366-A.

WHEREAS, the Company filed an Application, dated September 28, 2011, (“Application”) in this docket by which Chem-Nuclear requested the Commission to identify certain “allowable costs” for the Company’s fiscal years 2010-2011 and 2011-2012, in accordance with the provisions of S.C. Code Ann. § 48-46-10, et seq. (Rev. 2008 & Supp. 2011), and with the Commission’s rules and regulations; and

WHEREAS, ORS conducted an examination of the allowable costs to be identified and recovered in Chem-Nuclear’s Application; and

WHEREAS, Chem-Nuclear filed an Amended Application, dated March 8, 2012, in this docket in accordance with S.C. Code Ann. § 48-46-40(B)(4) (Rev. 2008) and the Commission’s rules and regulations; and

WHEREAS, the Company's Amended Application resolved the concerns of the ORS pursuant to its examination; and

WHEREAS, on March 8, 2012, the Prefiled Direct Testimony of James D. Harris was filed on behalf of Chem-Nuclear reflecting the position of the Company as contained in its Amended Application; and

WHEREAS, the Report of ORS Auditor, Daniel Sullivan, of the review and examination of Chem-Nuclear's Application and Amended Application, dated March 22, 2012 ("Report"), is attached to this Agreement and incorporated by reference ("Attachment A"); and

WHEREAS such Report summarizes the Company's Amended Application and concurs with the request of the Company as contained in the Amended Application; and

WHEREAS, the Parties to this Agreement believe that it is in their best interests and those of the State of South Carolina to enter into a Settlement Agreement relating to this matter in order to avoid the additional expense which the litigation of their positions would occasion in this proceeding.

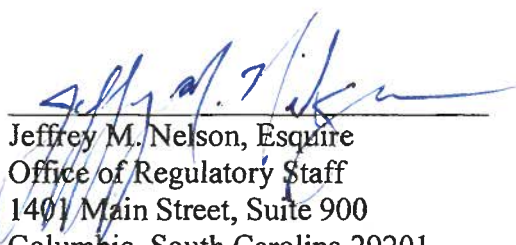
WHEREFORE, the Parties to this Agreement enter into it on the following terms:

1. The Parties agree to the Actual Costs of Fiscal Year 2010-2011, including fixed costs, irregular costs, variable labor and non-labor costs and vault costs as specified in Chem-Nuclear's Amended Application.
2. The Parties agree on the calculation of projected costs for Fiscal Year 2011-2012 as specified in Chem-Nuclear's Amended Application.
3. The Parties agree that the Prefiled Direct Testimony of James D. Harris accurately reflects the agreed upon positions of the Company and ORS in this matter.
4. Chem-Nuclear agrees that James D. Harris will present testimony at the hearing in this matter consistent with his prefiled direct testimony, the Amended Application

and the terms of this Settlement Agreement.

5. Upon execution of this Settlement Agreement, ORS will file an original of this Settlement Agreement with the Commission and serve a copy of it upon all parties of record in Commission Docket No. 2000-366-A.
6. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair in any way their arguments or positions they may choose to make in future proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then any or all of the Parties may withdraw from the Settlement Agreement without prejudice.
7. This Settlement Agreement shall be interpreted according to South Carolina law.
8. The Parties acknowledge their consent and agreement to the terms of this Settlement Agreement by authorizing their respective counsel to affix his or her signature to this document where indicated below. Counsel's signature constitutes a representation that his or her client has authorized the execution of this Settlement Agreement. Facsimile signatures and email signatures shall be as effective as original signatures. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.


Representing and binding the Office of Regulatory Staff:



Jeffrey M. Nelson, Esquire
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, South Carolina 29201
Phone: (803) 737-0823
Fax: (803) 737-0895
Email: jnelson@regstaff.sc.gov

April
March 12, 2012

Representing and binding Chem-Nuclear Systems, LLC, a Division of Duratek, Inc.:




Sara S. Rogers, Esquire
J. David Black, Esquire
Nexsen Pruet, LLC
Post Office Box 2426
Columbia, SC 29202
Phone: (803) 771-8900
Fax: (803) 253-8277
Email: srogers@nexsenpruet.com
dblack@nexsenpruet.com

Apr.
March 12, 2012

WE AGREE:

Representing and binding South Carolina Electric & Gas Company




K. Chad Burgess, Esquire
South Carolina Electric & Gas Company
MC C222
220 Operation Way
Cayce, SC 29033-3701
Phone: (803) 217-8141
Fax: (803) 217-7931
Email: chad.burgess@scana.com

March 27, 2012

WE AGREE:

Representing and binding Carolina Power & Light Company, d/b/a Progress Energy Carolinas, Inc.

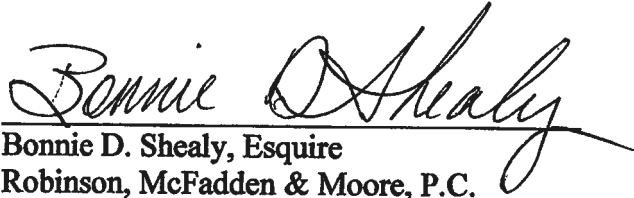


Len S. Anthony, Esquire
Deputy General Counsel – Regulatory Affairs
Progress Energy Carolinas, Inc.
P.O. Box 1551
Raleigh, NC 27602
Phone: (919)546-6367
Fax: (919)546-2694
Email: len.s.anthony@pgnmail.com

April 9th, 2012

WE AGREE:

Representing and binding Atlantic Compact Commission

A handwritten signature in black ink, reading "Bonnie D. Shealy". The signature is written in a cursive style with a horizontal line underneath the name.

Bonnie D. Shealy, Esquire

Robinson, McFadden & Moore, P.C.

Post Office Box 944

Columbia, SC, 29202

Phone: 803-779-8900

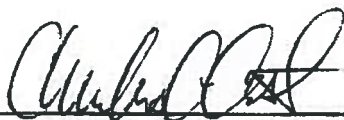
Fax: 803-252-0724

Email: bshealy@robinsonlaw.com

April 9, 2012

WE AGREE

Representing and binding Duke Energy Carolinas, LLC

A handwritten signature in black ink, appearing to read "Charles A. Castle", is written over a horizontal line.

Charles A. Castle, Esq.
Associate General Counsel
Duke Energy Corporation
DEC45A/P.O. Box 1321
Charlotte, NC 28201
Phone: 704-382-4499
Fax: 704-604-5113
Email: alex.castle@duke-energy.com

April 11, 2012

C. DUKES SCOTT
EXECUTIVE DIRECTOR

1101 Main Street, Suite 900
Columbia, SC 29201



Phone: (803) 737-0800
Fax: (803) 737-0977

DAN E. ARNETT
CHIEF OF STAFF

JAY R. JASHINSKY, CPA
DIRECTOR OF AUDITING

SOUTH CAROLINA OFFICE OF REGULATORY STAFF

EXAMINATION REPORT FOR DOCKET NO. 2000-366-A

THE APPLICATION OF CHEM-NUCLEAR SYSTEMS, LLC, A SUBSIDIARY OF DURATEK, INC., FOR ADJUSTMENT IN THE LEVELS OF ALLOWABLE COSTS AND FOR IDENTIFICATION OF ALLOWABLE COSTS

On September 28, 2011, Chem-Nuclear Systems, LLC ("Chem-Nuclear") filed an application for Adjustment in the Levels of Allowable Costs for the Fiscal Year Ending June 30, 2011 and for Identification of Allowable Costs for the Fiscal Year Ending June 30, 2012, pursuant to Public Service Commission of South Carolina ("PSC" or "Commission") Order No. 2011-388 in Docket No. 2000-366-A.

Effective July 1, 2008, Pursuant to S.C. Code Ann. § 48-46-40 (A)(6)(a), (Rev. 2008 & Supp. 2011), Chem-Nuclear can only accept waste generated within the three Atlantic Compact states, South Carolina, New Jersey and Connecticut. Additionally, since July 1, 2008, Chem-Nuclear commenced site closure ("institutional") activities parallel to its site disposal operating ("operational") activities. These institutional costs include site maintenance, monitoring, security, other administrative expenses and license costs, and are paid from the Barnwell Decommissioning Trust Fund each year. Remaining reimbursable costs are included as operating costs in Chem-Nuclear's application for reimbursement filed with the Public Service Commission.

The South Carolina Office of Regulatory Staff ("ORS") completed an examination of the application and the underlying financial records of Chem-Nuclear for the operation of its regional low-level radioactive waste disposal facility located in the vicinity of Barnwell, South Carolina. Based on this examination, ORS recommended adjustments to Chem-Nuclear's Fixed costs for the fiscal year ending June 30, 2011. These adjustments were discussed with members of Chem-Nuclear's management who agreed with the propriety of the adjustments. ORS also determined that reimbursable amounts included for Variable costs and Irregular costs for the fiscal year ending June 30, 2011 on the Application are materially correct and conform to Commission rules and regulations.

A comparison of the allowable reimbursable costs to the amounts authorized by the PSC in Order No. 2011-388 dated May 26, 2011, was prepared by ORS Audit Staff. This comparison is attached herewith as Exhibit A. As shown on Exhibit A, ORS recommends that Chem-Nuclear be allowed to retain, as recovery of their expenditures in operating the Barnwell Low Level Radioactive Waste Storage Facility for the fiscal year ending June 30, 2011, the following:

- \$ 2,744,815 in Fixed Costs
- \$ 533,618 in Variable Costs
- \$ 158,502 in Irregular Costs

In conjunction with procedures performed for the fiscal year ending June 30, 2011, ORS also examined transactions recorded by Chem-Nuclear for the period beginning July 1, 2011, and extending through December 31, 2011. Based on this examination, ORS recommended adjustments to Chem-Nuclear's Projected Fixed costs and Projected Variable cost rates for the fiscal year ending June 30, 2012. These adjustments were discussed with members of Chem-Nuclear's management who agreed with their propriety. ORS also examined Chem-Nuclear's Irregular costs for the fiscal year ending June 30, 2012, as listed in Exhibit AA. These costs are consistent with the Projected Irregular costs filed in the Amended Application by Chem-Nuclear.



Daniel Sullivan, Auditor
March 22, 2012

Chem-Nuclear Systems, LLC
Operating Experience and Reimbursable Costs
For the Twelve Months Ended June 30, 2011

ATTACHMENT A

Exhibit A
Page 1 of 2

	<u>Per Amended Application</u>	<u>Commission Order No. 2011-388</u>	<u>Actual Costs Over (Under) Commission Allowed</u>
<u>Fixed Costs</u>			
Labor, Fringe and Non-Labor	\$ 1,492,087	\$ 1,371,044	\$ 121,043
Corporate Allocations (G&A)	490,805	560,378	(69,573)
Equipment Leases and Support	177,167	136,176	40,991
Depreciation	51,111	51,668	(557)
Insurance	418,688	431,175	(12,487)
Legal (License Appeal)	<u>114,957</u>	<u>207,407</u>	<u>(92,450)</u>
Total Fixed Costs	<u>\$ 2,744,815</u>	<u>\$ 2,757,848</u>	<u>\$ (13,033)</u>
<u>Variable Costs</u>			
Vault Cost	\$ 420,584	\$ 447,035	\$ (26,451)
Labor and Non-Labor Costs	<u>113,034</u>	<u>162,541</u>	<u>(49,507)</u>
Total Variable Costs	<u>\$ 533,618</u>	<u>\$ 609,576</u>	<u>\$ (75,958)</u>

Chem-Nuclear Systems, LLC
Operating Experience and Reimbursable Costs
For the Twelve Months Ended June 30, 2011

ATTACHMENT A

Exhibit A
Page 2 of 2

	Per Amended Application	Commission Order No. 2011-388	Actual Costs Over (Under) Commission Allowed
<u>Irregular Costs</u>			
Various Trenches (Design, Construct, and Backfill)			
Labor	23,500		
Non-Labor	73,929		
Total	<u>\$ 97,429</u>	<u>\$ 98,307</u>	<u>\$ (878)</u>
License Renewal and Appeal Costs			
Labor	3,807		
Non-Labor	-		
Total	<u>3,807</u>	<u>10,000</u>	<u>(6,193)</u>
Decontamination & Corrective Actions			
Labor	-		
Non-Labor	-		
Total	<u>-</u>	<u>5,000</u>	<u>(5,000)</u>
Site Engineering and Drawings Updates			
Labor	5,020		
Non-Labor	-		
Total	<u>5,020</u>	<u>3,000</u>	<u>2,020</u>
Site Assessments			
Labor	31		
Non-Labor	-		
Total	<u>31</u>	<u>5,000</u>	<u>(4,969)</u>
Other Irregular Costs			
Labor	36,179		
Non-Labor	3,689		
Total	<u>39,868</u>	<u>56,347</u>	<u>(16,479)</u>
Increased Security Controls			
Labor	2,677		
Non-Labor	4,936		
Total	<u>7,613</u>	<u>10,000</u>	<u>(2,387)</u>
Irregular Costs Without Large Component Disposal	<u>\$ 153,768</u>	<u>\$ 187,654</u>	<u>\$ (33,886)</u>
Large Component Disposal			
Labor	3,207		
Non-Labor	1,527		
Total	<u>4,734</u>	<u>-</u>	<u>4,734</u>
Total Irregular Costs	<u>\$ 158,502</u>	<u>\$ 187,654</u>	<u>\$ (29,152)</u>

Chem-Nuclear Systems, LLC
Proposed Fixed, Irregular and Variable Costs
For the Fiscal Year Ending June 30, 2012 To Date

ATTACHMENT A
Exhibit AA
Page 1 of 2

	<u>Per Amended</u> <u>Application</u>	<u>Actual Through</u> <u>12/31/2011</u>	<u>Difference</u>
<u>FIXED COSTS</u>			
Fixed Costs to which 29% operating margin is added:			
Labor, Fringe and Non-Labor	\$ 1,530,000	\$ 675,364	\$ 854,636
Corporate Allocations (Management Fees/G&A)	515,000	297,180	217,820
Depreciation	56,385	28,193	28,192
Insurance	427,031	139,070	287,961
Equipment Leases and Support	154,106	58,335	95,771
Total Margin Costs	<u>2,682,522</u>	<u>1,198,142</u>	<u>1,484,380</u>

Fixed Costs to which 29% operating margin is not added:

Legal Support (license appeal)	71,726	11,568	60,158
Total Non-margin Costs	<u>71,726</u>	<u>11,568</u>	<u>60,158</u>
Total Fixed Costs	<u>\$ 2,754,248</u>	<u>\$ 1,209,710</u>	<u>\$ 1,544,538</u>

IRREGULAR COSTS

Trench Construction	\$ 98,307	\$ 70,706	\$ 27,601
License Appeal	10,000	4,256	5,744
Corrective Action	5,000	235	4,765
Site Engineering Drawings	3,000	922	2,078
Site Assessments	5,000	-	5,000
Miscellaneous	56,347	6,531	49,816
Increased Security Controls	10,000	3,094	6,906
Total Irregular Costs	<u>\$ 187,654</u>	<u>\$ 85,744</u>	<u>\$ 101,910</u>

Chem-Nuclear Systems, LLC
Proposed Fixed, Irregular and Variable Costs
For the Fiscal Year Ending June 30, 2012 To Date

ATTACHMENT A

Exhibit AA

Page 2 of 2

	<u>VARIABLE RATES</u>	
	<u>Costs</u>	<u>Variable Factor</u>
Variable Labor and Non-Labor Rates		
Vault Purchase & Inspection	\$ <u>81.35</u>	Per Vault
A B C Waste Disposal	<u>1,948.78</u>	Per Shipment
Slit Trench Shipment	<u>29,787.46</u>	Per Offload
Customer Assistance	<u>47.64</u>	Per Shipment
Trench Records	<u>130.34</u>	Per Container
Variable Material Cost Rates (Vaults)		
Class A Waste	\$ <u>40.61</u>	Per Cubic Foot
Class B Waste	<u>42.08</u>	Per Cubic Foot
Class C Waste	<u>42.97</u>	Per Cubic Foot
Slit Trench Waste	<u>191.99</u>	Per Cubic Foot

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2000-366-A

IN RE: Chem-Nuclear Systems, LLC - Application for)
Approval of Allowable Costs (1st Filing) Application)
for Adjustment in the Levels of Allowable Costs and)
for Identification of Allowable Costs (2nd Filing and)
After)

**CERTIFICATE OF
SERVICE**

This is to certify that I, Pamela J. McMullan, have this date served one (1) copy of the **SETTLEMENT AGREEMENT** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal service and affixed thereto, and addressed as shown below:

Sara S. Rogers, Esquire
J. David Black, Esquire
Nexsen Pruet, LLC
Post Office Box 2426
Columbia, SC 29202

Frank R. Ellerbe, III, Esquire
Bonnie D. Shealy, Esquire
Robinson, McFadden & Moore, P.C.
Post Office Box 944
Columbia, SC, 29202

The Honorable Alan Wilson, Attorney General
c/o Parkin Hunter
South Carolina Attorney General
Post Office Box 11549
Columbia, SC, 29211

Derrick McFarland, Esquire
South Carolina Budget and Control Board
Post Office Box 11608
Columbia, SC, 29211

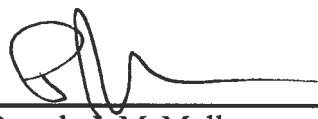
Jacquelyn S. Dickman, Esquire
SC DHEC
2600 Bull Street
Columbia, SC, 29201

Mitchell M. Willoughby, Esquire
Willoughby & Hoefer, P.A.
Post Office Box 8416
Columbia, SC, 29202

Len S. Anthony, Esquire
Progress Energy Carolinas, Incorporated
Post Office Box 1551
Raleigh, NC, 27602

Charles A. Castle, Esquire
Lara Simmons Nichols, Esquire
Duke Energy Carolinas, LLC
Post Office Box 1006, EC03T
Charlotte, NC, 28201-1066

K. Chad Burgess, Esquire
Matthew W. Gissendanner, Esquire
South Carolina Electric & Gas Company/SCANA Corporation
220 Operation Way - MC C222
Cayce, SC, 29033-3701

A handwritten signature in dark ink, appearing to read 'PJM', is written over a solid horizontal line.

Pamela J. McMullan

April 12, 2012
Columbia, South Carolina